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EXTRACT FROM NSC-136 (IRAN) NSC STAFF DRAFT OF 7 NOVEMBER 1952

2. The situation in Iran presents widening opportunities to the Communist organization there. Social unrest is spreading in the wake of nationalist agitation and of disruption of the traditional structure of Iranian leadership and institutions. Government promises of early prosperity following eviction of the British Oil Company have not been fulfilled. On the contrary, the inability of Iran to dispose of its oil have contributed to a worsening of economic conditions. The resulting popular bewilderment and frustration have increased receptivity to Communist propaganda and agitation. The Government's budgetary difficulties as a result of the loss of oil revenues have led to currency inflation, almost complete curtailment of public works, and fears that Iran's military forces and civil administration may soon face demoralizing reductions in size and pay. Meanwhile, nationalist politicians, in their vanity and selfishness, show little understanding of the true nature of the Communist threat and are vulnerable to Communist efforts to infiltrate the nationalist movement.

3. It is now estimated that Communist forces will probably not gain control of the Iranian Government during 1953. Nevertheless the Iranian situation contains very great elements of instability

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and there is a continuing danger of serious Communist infiltration of the National Front and the Government bureaucracy. It is clear that the United Kingdom no longer possesses the capability unilaterally to assure stability in the area. Therefore if present trends continue unchecked, Iran could be effectively lost to the free world before an actual Communist take-over of the Iranian Government. Failure to arrest present trends in Iran involves a serious risk to the national security of the United States.

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PROPOSED REFORMING PAAS 2-3 of NSC-136 DRAFT, 7 NOVEMBER 1952

2. Present trends in Iran are unfavorable to the maintenance of control by a non-communist regime for any extended period of time. In wresting the political initiative from the Shah, the landlords, and other traditional holders of power, the National Front politicians now in power have at least temporarily eliminated all organized competition save that of the Communist left. Meanwhile, the ability of the National Front to maintain control of the situation indefinitely is uncertain. Nationalist failure to restore the oil industry to operation has led to exhaustion of the government's financial reserves and a resort to continuing deficit financing to meet current expenses and is likely to produce a progressive deterioration of the economy at large. At the same time, the political upheaval which brought the nationalists to power has heightened popular desire for economic and social betterment and has increased social unrest.

3. It is now estimated that the communists will not gain control of Iran during 1953. Nevertheless, the Iranian situation contains very great elements of instability. Any US policy regarding Iran must accordingly take into account the danger that the communists might be enabled to gain the ascendancy

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as a result of such possibilities as a struggle for power in the nationalist leadership, more effective communist infiltration of the government than now appears probable, government failure to take proper steps to maintain the security forces and repress communist activity, or a major crop failure. It must also be borne in mind that the continuation of unfavorable trends within Iran or a deterioration of US-Iranian relations might effectively eliminate any opportunity to prevent Iran's loss to the free world well before an actual communist takeover of the Iranian government took place.

3a. Failure to arrest present trends in Iran involves a serious risk to the national security of the United States. It is clear that the UK no longer possesses the capability unilaterally to assure stability in the area.

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